

WALLA WALLA COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

Schedule Of Findings

1. The County Treasurer's Office Accounting System Internal Controls Should Be Improved

Our review of the county treasurer's office revealed material internal control weaknesses in the accounting controls and the control structure as follows:

- a. Checks are drawn based on verbal instructions of the county treasurer and there is no evidentiary indication of subsequent review by the treasurer to ensure only authorized checks were written.
- b. The checking account is reconciled by the same person who writes checks and also performs periodic cash receipting
- c. The accounting staff performs cash receipting duties.
- d. Adjustments to cash drawer receipts are not fully documented, reviewed, and approved by a supervisor.
- e. Several cashiers work out of the same cash drawer.
- f. Cash receipts do not indicate the method of payment (ie., cash vs. check).
- g. Cash over and shorts are not recorded by cashier.
- h. Cash book balance is not confirmed to bank records on a periodic basis.
- i. Authorized property tax cancellations are not reconciled between the tax roll and the general ledger property taxes receivable account.
- j. Property taxes outstanding per tax rolls are not reconciled to property taxes receivable on the general ledger system.

This is a partial repeat of a general cash handling finding in the prior audit report.

Pursuant to the *Revised Code of Washington* (RCW) 43.09.200, Volume 1, Part 3, Chapter 1, pages 15-18 of the *Budget, Accounting and Reporting Systems* (BARS) manual describes internal controls as:

An internal control system consists of the plan of organization and method and procedures adopted by management that ensure

that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed.

The absence of adequate internal control systems creates an environment in which errors or irregularities could occur and not be detected in a timely fashion.

The treasurer's office has experienced significant staff turnover in the past several years. This has resulted in some responsibilities being combined in an effort to maximize remaining staff experience. In addition, the treasurer's office accounting system is not programmed to record mode of payment on the receipts or provide individual cashier accountability.

We recommend the county treasurer establish and maintain an effective system of internal controls by implementing such procedures as:

- a. Periodic review of the check register by the treasurer including signatory evidence approving all checks.
- b. Preparation of bank reconciliations by a person independent of check signing and cashing duties.
- c. Modify cash receipt accounting software to allow for:
 - (1) Separate cash drawers for all cashiers,
 - (2) Cash receipt accountability by cashier, and
 - (3) Mode of payment identification.
- d. Provide that each cashier:
 - (1) Have their own lockable cash drawer.
 - (2) Reconcile their cash drawers to receipts received by method of payment,
 - (3) Prepare their own bank deposits and personally secure them in a locking bag accessible only to the bank.
- e. Fully document adjustments to cash receipt drawer summary reports. All adjustments should be approved by a supervisor.
- f. Account for cash drawer over/shorts by individual cashier.
- g. Segregate duties between the accounting staff and the cashiers.
- h. Assign deposit review and validating responsibilities to a person independent of cash receipting.

- i. Periodically reconstruct cash book balances by confirming with banking institutions.
- j. Reconcile tax roll cancellations per the tax roll to the property taxes receivable noncash credits recorded in the general ledger system. This reconciliation should be done by someone independent of cashiering duties.
- k. Periodically reconcile outstanding property taxes per the tax rolls to the general ledger system.

2. The Sheriff's Office Cash Handling Internal Controls Should Be Improved

Our review of the sheriff's office revealed material internal control weaknesses in the cash handling controls and the control structure as follows:

- a. Funds (i.e., inmate welfare, license fees, gun permits, etc.) received on behalf of other governmental agencies are not receipted into the sheriff's cash receipting system.
- b. All deposits are not made using two-part deposit slips.
- c. Bank validated deposit slips are not obtained.
- d. Bank accounts are reconciled by a person who also has check writing and cash receiving duties.
- e. Endorsement of checks received for deposit does not include the bank account number or "deposit only."
- f. Travel advances are made without approval of the sheriff.
- g. Bail receipts received by the jail are not deposited immediately. The funds are held and remitted to the courts once a week.
- h. Citation use is not monitored and accounted for.

This is a partial repeat of a general cash handling finding in the prior audit report.

Pursuant to the *Revised Code of Washington* (RCW) 43.09.200, Volume 1, Part 3, Chapter 1, pages 15-18 of the *Budget, Accounting and Reporting Systems* (BARS) manual describes internal controls as:

An internal control system consists of the plan of organization and method and procedures adopted by management that ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed.

RCW 46.64.010 states in part:

The chief administrative officer of every such traffic enforcement agency shall require the return to him of a copy of every traffic citation issued by an officer under his supervision to an alleged violator of any traffic law or ordinance and of all copies of every traffic citation which has been spoiled or upon which any entry has been made and not issued to an alleged violator.

Such chief administrative officer shall also maintain or cause to be maintained in connection with every traffic citation issued by an officer under his supervision a record of the disposition of the charge by the

court or its traffic violation bureau in which the original or copy of the traffic citation was deposited.

The absence of adequate internal control systems creates an environment in which errors or irregularities could occur and not be detected in a timely fashion.

Due to resource limitations, the sheriff's office is understaffed. However, we believe our recommendations can be implemented without additional resources.

We recommend the sheriff establish and maintain an effective system of internal controls such as:

- a. Receipting and depositing all funds received into the revolving fund.
- b. Remitting funds to the courts and other government agencies by check through the Revolving Fund.
- c. Using two-part deposit slips and obtaining bank validation on the copy retained.
- d. Assigning bank account reconciliations to a person independent of account control, or implement supervisory review of the bank reconciliations by the sheriff and his initialing of the bank reconciliations indicating his review.
- e. Changing the check endorsement stamp to include the account number of the bank account and state "Deposit only into the account of the Walla Walla County Sheriff."
- f. The sheriff should periodically review all travel requests and initial the request showing his review and approval. These requests should be retained as support for the advance travel checks.
- g. Receipting bail receipts on a daily basis into the sheriff's Revolving Fund and remitting to the proper court using a Revolving Fund check.
- h. Periodically preparing a numerical listing of all citations issued and account for all citations (using both the district court's DISCIS system and the sheriff's citation log).

3. District Court Cash Handling Internal Controls Should Be Improved

Our review of the district court revealed material internal control weaknesses in the cash handling controls and the control structure. These weaknesses are as follows:

- a. The bank account is reconciled by a person who also has check writing and cash receiving duties.
- b. All clerks work out of one cash drawer.
- c. Probation officer receipts are not reviewed and agreed to validated bank deposit slip for cash/check composition.
- d. Restitution cases turned over to the probation officer for collection are not accounted for by the court administrator.
- e. The collection of restitution moneys is not reviewed or reconciled on a periodic basis.

This is a partial repeat of a general cash handling finding in the prior audit report.

Pursuant to the *Revised Code of Washington* (RCW) 43.09.200, Volume 1, Part 3, Chapter 1, pages 15-18 of the *Budget, Accounting and Reporting Systems* (BARS) manual describes internal controls as:

An internal control system consists of the plan of organization and method and procedures adopted by management that ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed.

The absence of adequate internal control systems creates an environment in which errors or irregularities could occur and not be detected in a timely fashion.

The administrator believes the following have contributed to the conditions noted: 1) the District Court has a limited staff, 2) customer service is a high priority, therefore all staff need to be available to collect fines, 3) to implement and balance individual cash drawers would not be cost effective, and 4) the administrator did not perceive the need to monitor the collection of restitution moneys.

We recommend the District Court establish and maintain an effective system of internal controls by implementing such procedures as:

- a. Bank reconciliations be prepared by a person independent of check signing and cashiering duties.

b. Each cashier:

(1) Have their own lockable cash drawer.

(2) Reconcile their cash drawers to receipts received by method of payment (i.e., cash vs. check).

Prepare their own bank deposits and secure it in a locking bag accessible only to the bank.

c. The District Court administrator compare validated bank deposit slips for the probation officers' deposits with the cash receipts method of payment information.

d. The District Court administrator log all cases turned over to the probation officer.

e. The probation officer provide the District Court administrator with a regular status of cases which would include restitution payments received and subsequent disbursement of these funds.

4. County Auditor's Office Internal Controls Should Be Improved

Our review of the county auditor's office revealed internal control weaknesses in the cash handling controls and the control structure as follows:

- a. Vehicle license back-out transactions done by the supervisor of the vehicle licensing operation are not verified by a second person. Back-out transactions occur when incorrect information has been entered into the system.
- b. Cash register tapes in the recording department are not balanced to the cash drawer contents for method of payment (i.e., cash versus checks composition).

This is a partial repeat of a general cash handling finding in the prior audit report.

Pursuant to the *Revised Code of Washington* (RCW) 43.09.200, Volume 1, Part 3, Chapter 1, pages 15-18 of the *Budget, Accounting and Reporting Systems* (BARS) manual describes internal controls as:

An internal control system consists of the plan of organization and method and procedures adopted by management that ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed.

The absence of adequate internal control systems creates an environment in which errors or irregularities could occur and not be detected in a timely fashion.

The vehicle licensing supervisor did not understand the purpose for verifying the back-out transactions. The recording department staff were not properly trained to perform cash register transaction corrections. This lack of training resulted in inaccurate cash register tapes because department staff were unable to reverse incorrect entries. As a result, cash drawer contents were not balanced to the cash register tapes due to the inaccurate tapes.

We recommend the county auditor establish and maintain an effective system of internal controls by implementing such procedures as:

- a. Require all backed-out transactions be reviewed and verified by a second person.
- b. Obtain training for the recording department staff in the full use of a cash register.
- c. Balance on a daily basis, the cash drawer contents to the cash register for mode of payment.
- d. Assign a person, independent of the cashiering duties, the duties of comparing the daily recording cash register tape with the county treasurer's receipt for deposit of the funds, including comparison of cash register mode of payment to the treasurer's receipt mode of payment.

5. The County Should Improve Internal Controls Over The "Walla Walla Frontier Days" Fair

During our audit of the fair, we noted the following internal control weaknesses:

- a. Parking revenue collected by a contractor on behalf of the county cannot be substantiated by supporting documentation;
- b. Moneys collected by individual ticket sellers cannot be reconciled to subsequent bank deposits;
- c. Prenumbered admission tickets are not monitored or reconciled to cash receipts; and
- d. Unused prenumbered admission tickets were not retained until the audit was completed.

RCW 43.09.200 requires supporting documentation necessary to prove the validity of the transaction.

Without proper supporting documentation, the county is unable to determine if all public moneys have been accounted for and received. Based on the lack of proper documentation, we were unable to determine if any misappropriations had occurred.

Fairground personnel were relying on the integrity of the contractor to remit the proper amount to the county. Personnel turnover has caused inconsistent accounting control procedures to be followed.

We recommend the county implement and maintain internal control procedures necessary to: 1) establish the validity of parking revenues due (i.e., a flat fee rate structure), 2) reconcile individual ticket seller activity to the subsequent bank deposit, and 3) monitor and account for prenumbered ticket use.

6. The County Should Close All Unauthorized "Walla Walla Frontier Days" Fair Bank Accounts

During our audit of the "Walla Walla Frontier Days" fair, we noted nine different bank accounts that were not authorized by the treasurer.

RCW 43.09.240 requires every public officer or employee to deposit public moneys with the treasurer of the local government every twenty-four consecutive hours.

Unauthorized bank accounts could lead to improper activity because the transactions are not monitored by the treasurer.

The unauthorized bank accounts resulted from personnel turnover and lack of management oversight.

We recommend the county close all unauthorized bank accounts immediately.